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ACTION IO-13

INFO OCT-01 ADP-00 ABF-01 OMB-01 TRSE-00 SCI-06 AF-10

ARA-11 EA-11 EUR-25 NEA-10 RSC-01 SS-15 NSC-10 L-03

H-02 PRS-01 PA-03 USIA-12 CIAE-00 INR-10 NSAE-00

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TO SECSTATE WASHDC PRIORITY 2703

INFO AEC GERMANTOWN

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E. O. 11652: N/ A

TAGS: AORG AFIN PFOR IAEA TW

SUBJ: ROC ARREARAGES IN IAEA

1. SUMMARY: ROC ARREARAGES OF IAEA ASSESSED CONTRIBUTIONS
CURRENTLY TOTAL \$1,365,394. NON- PAYMENT OF ROC ARREARAGES IS
NO LONGER CASH FLOW PROBLEM REQUIRING URGENT SOLUTION. ACTION
REQUESTED: NONE. END SUMMARY.

2. AGENCY ACCOUNTS FOR 1972 SHOW FOLLOWING ASSESSED CONTRI-
BUTIONS (AT SCHEDULES B.1 AND ER ALL PRIOR YEARS AND 1972,
RESPECTIVELY) AS DUE AND PAYABLE FROM ROC:

1970 - \$ 414,872
1971 - 472,482
1972 - 539,580
SUB- TOTAL 1,426,934

LESS - ADVANCE BY
CHINA TO WORKING
CAPITAL FUND APPLIED
TO REDUCE ARREARAGE - \$ 61,540

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TOTAL ARREARAGE AS - \$ 1,365,394
OF 12/31/72

ROC WAS BARELY SHORT OF TWO YEARS IN ARREARS ON ASSESSMENTS (AS WAS NORMAL ROC PRACTICE) AT TIME OF BOARD OF GOVERNORS ACTION OF DEC 9, 1971, WHICH EFFECTIVELY TERMINATED ROC PARTICIPATION IN IAEA. 1972 CONTRIBUTION WAS ASSESSED PRIOR TO THIS, IN SEPT 1971, AND BECAME DUE AND PAYABLE SUBSEQUENT TO BOARD ACTION, WHICH DID NOT DEAL WITH QUESTION OF OUTSTANDING ASSESSMENTS.

3. DURING 1972, NON- PAYMENT OF AMOUNTS DUE FROM ROC (WHICH WOULD HAVE SHOWN ON ACCOUNTS AS PAYMENT OF 1970 ARREARAGES, BUT WOULD HAVE BEEN PART OF 1972 CASH FLOW), CONTRIBUTED TO ACUTE PROBLEM OF CASH LIQUIDITY FACED BY AGENCY, WHICH RESULTED AT TIMES IN NEAR- TOTAL DEPLETION OF WORKING CAPITAL FUND.

4. HOWEVER, DURING 1972 MEMBERS OF AGENCY REACHED COMPROMISE WHEREBY PERCENTAGE ASSESSMENT AGAINST CHINA WAS DELETED FROM AGENCY' S SCALE OF ASSESSMENTS FOR 1973. SHARE OF 1973 ASSESSMENT WHICH OTHERWISE WOULD HAVE BEEN CARRIED AGAINST CHINA WAS THUS DISTRIBUTED PRO- RATA AMONG ALL OTHER MEMBERS OF AGENCY EXCEPT US AND MEMBERS ASSESSED AT FLOOR RATE, AND PROBLEM OF NON- RECEIPT OF CASH DUE ON SHARE ASSESSED AGAINST CHINA DISAPPEARED. BULK OF \$400,000 PLUS WHICH CHINA WOULD HAVE PAID IS NOW PAID IN CURRENT YEAR BY FEW LARGE DEVELOPED MEMBERS, MOST OF WHOM PAY DURING FIRST HALF OF YEAR. PROJECTIONS OF AGENCY CASH- FLOW POSITION FOR 1973-74 (SEPTEL) ARE THUS CONSIDERABLY BETTER (ASSUMING THAT 1973 METHOD OF HANDLING CHINA ASSESSMENT IS REPEATED IN 1974 AND FUTURE YEARS) THAN COMPARABLE FIGURES FOR 1972.

5. ABOVE ROC ARREARAGES REMAIN ON AGENCY' S BOOKS AND WILL SHOW UP IN SCHEDULE B.1 OF FUTURE ACCOUNTS (IN MANNER SIMILAR TO ARREARAGES FOR TWO MEMBERS WHO WITHDREW FROM AGENCY OWING MONEY) UNTIL SOME AFFIRMATIVE ACTION IS TAKEN TO DISPOSE OF THEM. NO MISSION HAS TO OUR KNOWLEDGE PROPOSED ANY SUCH ACTION. SINCE NON- PAYMENT OF THESE ARREARAGES HAS LITTLE IMPACT ON AGENCY CURRENT CASH LIQUIDITY SITUATION IN 1973 AND FUTURE YEARS, DISPOSITION OF BOOK ARREARAGES IS NOT MATTER OF URGENCY AND CAN BE DEALT WITH WHENEVER ACTION WILL POSE MINIMUM UNDESIRABLE POLITICAL CONSEQUENCES.

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6. MISSION ASSUMES THAT USG WOULD HAVE NO OBJECTION IN PRINCIPLE TO WRITING ARREARS OFF. HOWEVER, AS ARREARS ARE NOW

RELATIVELY INOFFENSIVE ENTRY ON BOOKS RATHER THAN MAJOR THREAT
TO AGENCY' S FINANCIAL STABILITY, MISSION FEELING IS THAT PENDING
END IN SEPT 1973 OF TERM OF BOARD SEAT TO WHICH ROC ELECTED
IN 1971, WE SHOULD QUIETLY DISCOURAGE ANY ACTION ON ANY ASPECT
OF CHINA QUESTION IN AGENCY, INCLUDING HANDLING THESE ARREARS.
PORTER

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*** Current Classification *** LIMITED OFFICIAL USE

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